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FM AMEMBASSY SINGAPORE

TO RUEHC/SECSTATE WASHDC 6151

RUCNASE/ASEAN MEMBER COLLECTIVE

RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE

RUCPDOC/USDOC WASHDC

UNCLAS SINGAPORE 001315

STATE PASS USTR

SIPDIS

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SUBJECT: SINGAPORE SIGNS FTA WITH GULF COOPERATION COUNCIL

¶1. Summary: Singapore signed a Free Trade Agreement with the six Arab countries in the Gulf Cooperation Council (GCC), significantly liberalizing trade with an increasingly important trading partner and destination for foreign investment. Ninety-nine percent of Singapore's domestic exports to the area will soon enter tariff free; GCC countries obtained better market access in Singapore's service sectors. A key benefit in the agreement was the GCC's recognition of Singapore's standards for halal food, which will increase Singapore's food exports and promote Middle East tourism to Singapore. End Summary.

¶2. During a December 15 visit to Qatar, Singapore PM Lee Hsien Loong signed a Free Trade Agreement (FTA) with his counterparts from the Gulf Cooperation Council that will bring about a reduction in tariffs in one of Singapore's leading trading partners. The agreement was completed in January 2008 after four rounds of negotiations, but legal reviews delayed signing until the end of the year. The Singapore FTA was reportedly the first the GCC has negotiated as a group, but is the 14th for Singapore and its second in the Middle East after Jordan. Apart from trade in goods and services, the FTA also covers government procurement, electronic commerce, customs procedures, and economic cooperation.

¶3. The GCC, which includes Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates, were as a group Singapore's seventh largest trading partner in 2007. Trade has more than doubled in the past five years. Bilateral trade hit over US\$28 billion in 2007, though most of the trade was skewed toward the GCC. Singapore's exports to the area in 2007 were worth US\$5 billion, more than half of which were re-exports, rather than items produced in Singapore. Ninety-four percent of the GCC's exports to Singapore were oil or oil-related products. About 40 percent of Singapore's oil imports are from GCC countries.

¶4. After ratification by the signatories, the FTA will eliminate tariffs on 99 percent of Singapore's domestic exports to the GCC countries, up from only 10 percent currently. The FTA only excludes products that contain pork. Mr. LIM Teck Yong, Senior Assistant Director at the Ministry of Trade and Industry (MTI), told Econoff that the tariff elimination would benefit Singapore's electronics manufacturers and exporters of heavy equipment like tankers and oil drilling equipment. Singapore has virtually no tariffs on imports, and therefore the immediate benefits to the GCC for trade in goods would be relatively light. However, Lim said the GCC obtained important concessions on services, including additional market access for professional and legal services, engineering services and business services like advertising, retail and transport.

¶5. Key for Singapore among the FTA's concessions was a greater recognition of Singapore's standards for halal food in the GCC countries. GCC signatories committed to either recognize the Singapore Muis Halal Standards as compliant with standards in their own countries, or to begin talks to do so. Recognition of Singapore's halal standards will facilitate trade of Singapore's food exports, and also promote GCC tourism to Singapore as Gulf visitors will be more certain their dietary requirements will be

met.

¶6. The FTA does not specifically cover investment, but calls for GCC member countries to negotiate bilateral investment guarantee treaties with Singapore within two years. Bahrain, Oman and Saudi Arabia have already done so. MTI's Lim said the signatories agreed to negotiate separate agreements to focus on particular interests of each country, rather than settling for a blanket agreement that covered only the lowest common denominator. Singapore's investments in the GCC reached \$US238 million in 2006.

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